

JAPAN SMALLER CAPITALIZATION FUND INC  
Form N-Q  
July 26, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-8002  
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JAPAN SMALLER CAPITALIZATION FUND, INC.  
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(Exact name of registrant as specified in charter)

Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712  
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(Address of principal executive offices)

Hiroshi Terasaki  
Japan Smaller Capitalization Fund, Inc.  
Two World Financial Center  
Building B, 22nd Floor  
New York, New York 10281-1712  
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(Name and address of agent for service)

Registrant's telephone number, including area code: (800) 833-0018  
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Date of fiscal year end: May 31, 2006  
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Date of reporting period: March 1, 2006 - May 31, 2006  
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Item 1. Schedule of Investments

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2006

	Shares -----	Cost -----	
COMMON STOCKS			
Automotive Equipment and Parts			
Musashi Seimitsu Industry Co., Ltd .....	122,900	\$3,419,183	\$3
Ball joints, camshafts and gears			

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Nittan Valve Co, Ltd .....	371,400	3,115,238	3
Engine valves		-----	---
Total Automotive Equipment and Parts .....		6,534,421	6
		=====	==
 Banks and Finance			
The Bank of Fukuoka, Ltd. ....	408,000	2,569,215	2
Deposits, loans and exchange transactions			
Iwai Securities Co., Ltd. ....	195,200	5,317,278	4
Financial services			
Jaccs Co., Ltd. ....	626,000	6,449,160	6
Consumer credit services			
Matsui Securities Co., Ltd. ....	344,100	4,746,259	3
Online brokerage services			
Sapporo Hokuyo Holdings, Inc. ....	367	3,632,434	4
General banking services		-----	---
Total Banks and Finance .....		22,714,346	21
		=====	==
 Chemicals and Pharmaceuticals			
Shizuokagas Co., Ltd. ....	721,000	3,870,294	6
Natural gas supplier		-----	---
Total Chemicals and Pharmaceuticals .....		3,870,294	6
		=====	==
 Electric			
Mirai Industry Co., Ltd. ....	274,700	2,672,664	3
Plastic molded electric materials		-----	---
Total Electric .....		2,672,664	3
		=====	==
 Electronics			
Dainippon Screen Mfg Co., Ltd. ....	406,000	2,284,104	3
Electronic components			
Meiko Electronics Co., Ltd. ....	140,700	5,448,225	8
Printed circuit boards			
Sanken Electric Co.,Ltd. ....	303,000	4,833,173	4
Semiconductors		-----	---
Total Electronics .....		12,565,502	17
		=====	==
 Food Manufacturing			
Ozeki Co., Ltd. ....	123,200	3,722,662	3
Supermarket chain		-----	---
Total Food Manufacturing .....		3,722,662	3
		=====	==
 Information and Software			
Jastec Co., Ltd. ....	281,000	2,945,922	3
Applications software			
Sorun Corporation .....	449,200	3,317,326	3
Computer software development		-----	---
Total Information and Software .....		6,263,248	7
		=====	==

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Iron and Steel			
Godo Steel Ltd .....	539,000	3,440,315	3
Construction steel products			
Neturen Co., Ltd. ....	275,900	2,359,367	3
		-----	---
Metal processors			
Total Iron and Steel .....		5,799,682	6
		=====	==

JAPAN SMALLER CAPITALIZATION FUND, INC.

SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2006

	Shares	Cost	
	-----	-----	
Machinery and Machine Tools			
Hitachi Construction Machinery Co., Ltd + .....	395,800	\$7,128,915	\$9
Construction machinery			
Makino Milling Machine Co., Ltd. ....	966,000	8,838,695	11
Industrial machinery			
Sintokogio, Ltd. ....	414,000	4,049,346	5
Engineering equipment			
Yamatake Corp. ....	223,200	5,317,500	5
		-----	---
Industrial Automation equipment			
Total Machinery and Machine Tools .....		25,334,456	32
		=====	==
Miscellaneous Manufacturing			
Dowa Mining Co., Ltd. ....	741,000	5,893,805	6
Produces various metal-related products			
Hamamatsu Photonics K.K. ....	220,000	5,292,182	7
Electron tubes, semiconductors, and image processors			
Kimmon Manufacturing Co. Ltd. ....	1,186,000	4,081,110	3
Produces various electronic measurement equipments			
Mani, Inc. ....	80,100	1,994,046	6
Medical goods and equipment			
Nichias Corporation .....	720,000	3,880,584	5
Building and construction materials			
Nichiha Corporation .....	215,600	3,382,853	4
Ceramic exterior walls and fiber boards			
Seiko Corp. ....	426,000	2,725,197	3
Medical and commercial equipment			
Topcon Corporation .....	301,600	3,858,391	6
Medical instruments			
Toppan Forms Co.,Ltd. ....	224,700	3,235,906	3
Commercial printing			
Ulvac, Inc. ....	77,300	3,012,643	3
		-----	---
Vacuum devices			
Total Miscellaneous Manufacturing .....		37,356,717	49
		=====	==

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Real Estate and Warehouse			
Daibiru Corporation .....	423,800	3,544,150	4
Leases office buildings, apartments and hotels			
Leopalace21 Corporation .....	100,900	3,483,137	3
Property manager			
Suruga Corporation .....	45,400	2,839,369	2
		-----	--
Multi-unit commercial and residential building			
Total Real Estate and Warehouse .....		9,866,656	10
		=====	==
Restaurants			
Doutor Coffee Co., Ltd. ....	260,000	5,082,643	4
		-----	--
Coffee shop chains			
Total Restaurants .....		5,082,643	4
		=====	==
Retail			
Askul Corp. ....	156,000	4,574,005	4
Office equipment products			
Culture Convenience Club Co., Ltd. ....	343,800	3,620,923	4
Speciality bookstore			
Village Vanguard Co., Ltd. ....	522	2,745,331	4
		-----	--
Books, cd's, videos and office supplies			
Total Retail .....		10,940,259	12
		=====	==

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2006

	Shares	Cost	
	-----	----	
Services			
DTS Corporation .....	112,900	\$3,871,678	\$3
System and network engineering			
Meiko Network Japan Co., Ltd. ....	589,100	3,280,998	3
		-----	--
Private schools and academic tutoring			
Total Services .....		7,152,676	7
		=====	==
Telecommunications			
Daimei Telecom Engineering Corp. ....	383,000	3,916,318	4
		-----	--
Telecommunication wire installations			
Total Telecommunications .....		3,916,318	4
		=====	==
Textiles and Apparel			
Workman Co., Ltd. ....	80,700	1,598,227	3
		-----	--
Uniforms			

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Total Textiles and Apparel .....		1,598,227	3
		=====	==
Wholesale			
Hitachi High-Technologies Corporation .....	212,500	4,288,552	6
Computers and electrical devices			
Kondotec, Inc. ....	251,500	1,986,800	3
Construction materials			
Yuasa Trading Co., Ltd. ....	3,503,000	7,181,256	7
		-----	--
Industrial machinery			
Total Wholesale .....		13,456,608	16
		=====	==
TOTAL INVESTMENTS IN COMMON STOCKS .....		\$178,847,379	\$213
		=====	=====

JAPAN SMALLER CAPITALIZATION FUND, INC.  
SCHEDULE OF INVESTMENTS  
IN SECURITIES OF UNAFFILIATED ISSUERS  
May 31, 2006

	Principal Amount	Cost
	-----	----
INVESTMENTS IN FOREIGN CURRENCY		
Hong Kong Shanghai Bank- Tokyo		
Non- interest bearing account .....	JPY 365,192,983	\$3,250,928
		-----
TOTAL INVESTMENTS IN FOREIGN CURRENCY .....		3,250,928
		-----
TOTAL INVESTMENTS .....		\$182,098,307
		-----
OTHER ASSETS LESS LIABILITIES, NET .....		
		-----
NET ASSETS .....		\$
		=====

+ Non-Income Producing Security  
\* Aggregate gross unrealized appreciation for all securities in which there is an exceed of value over tax cost was \$40,453,036.  
Aggregate gross unrealized depreciation for all securities in which there is an excess of tax cost over value was \$5,887,307.

Portfolio securities and foreign currency holdings were translated at the following exchange rate as of May 31, 2006.

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Japanese Yen                      112.34                      =\$1.00

Item 2. Controls and Procedures.

(a) The Registrant's Principal Executive Officer and Principal Financial Officer evaluated the Registrant's disclosure controls and procedures within 90 days of the filing of this report and concluded that they were effective in providing reasonable assurance that the information required to be disclosed by the Registrant in its reports or statements filed under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

(b) There were no changes in the Registrant's internal control over financial reporting that occurred during the Registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

(a) Certifications of Principal Executive Officer and Principal Financial Officer pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 are attached hereto as an exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

JAPAN SMALLER CAPITALIZATION FUND, INC.

By: /s/ Hiroshi Terasaki

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Hiroshi Terasaki, President  
(Principal Executive Officer)

Date: July 26, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Rita Chopra-Brathwaite

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Rita Chopra-Brathwaite, Treasurer  
(Principal Financial Officer)

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